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KENT ECONOMIC
AND DEVELOPMENT
INSTITUTE, INC.

P.O. Box 99
Tallmadge, Ohio 44278 U.S.A.

KEDI ECONOMIC SURVEY

November 1990

Prepared by the staff of

Kent Economic and Development Institute, Inc.
P. O. Box 99
Tallmadge, Ohio 44278
(216) 759-2650

Dr. Vladimir J. Simunek
President

Peter Hoff
Editor

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Prepared by
WORD WORKS
227 East Main St.
Kent, Ohio 44240
(216) 678-8215

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CONTENTS

Page

0.00 Introduction

0.01 Executive Summary 1
0.02 Assumptions 2
0.03 Forecast Highlights 2

1.00 Detailed Forecasts

1.10 Real Growth, Consumer Spending and Retail Sales 4
1.20 Prices and Nominal GNP
1.21 Prices 10
1.22 Nominal GNP 12
1.30 Employment and Labor 14
1.40 Housing and Automobiles
1.41 Housing 16
1.42 Automobiles 18
1.50 Budgets 20
1.60 Income 22
1.70 Money and Credit 24
1.80 Interest Rates, Yields, and Securities Prices 26

2.00 Accuracy of Predictions 28

3.00 Historical Data Sources 29

TABLES

0.00 KEDI Forecast Highlights 3
1.11 Selected Indicators of Real Growth 5
1.12 Consumer Spending and Retail Sales 7
1.13 Real GNP 9
1.21 Prices 11
1.22 Nominal GNP 13
1.30 Employment and Labor 15
1.41 Housing 17
1.42 Automobiles 19
1.50 Budgets 21
1.60 Income 23
1.70 Money and Credit 25
1.80 Interest Rates, Yields, and Security Prices 27
3.00 Historical Data Sources 29

SOURCES:

The U. S. Department of Commerce, first estimates of 1990:3, National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, November 1990..

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

Recent data indicate that the economy is weak but apparently not yet at the recessionary state.

Prices

Forecast data call for further moderation of prices increases this quarter, and the first quarter of 1991.

Employment & Labor

In October, the unemployment rate remained unchanged from the September seasonally adjusted 5.7% of the civilian labor force.

Housing

Forecast data indicate that a rebound in housing starts is expected in the second quarter of 1991.

Automobiles

Sales of domestically built cars and light trucks rose 8.6% in late October with November sales ahead of November 1989.

Budgets

KEDI long-term forecast points to approx. $100 bil. Federal Budget deficit in calendar 1995.

Income

In general, the corporate profits outlook calls for profits to remain weak for several quarters ahead.

Money & Credit

Forecast of the demand for small and large CD's points to a fairly strong performance throughout most of 1991.

Interest Rates, Yields & Securities Prices

KEDI forecast points to some further drops in the Federal Funds Rate and short-term Treasury Bills rates during December.

O.02 ASSUMPTIONS

		Last Update
1.	In 1990, the weighted price of oil will increase as compared to 1989. It will continue increasing in the 1990-1991 period.	April 1990
2.	Monetary and credit policies are expected to relax somewhat in the first half of this year, and tighten in second half of 1991.	November 1990
3.	In 1991 and 1992 good crops in most of the main producing countries are anticipated.	October 1990
4.	Foreign trade with China, the USSR, and East Europe will expand in 1990 and following years	January 1990
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6.	No drastic changes in international relationships are anticipated. Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital. The return to more normal conditions in the Mid-East is anticipated to take place in the middle of 1991.	Long-term Assumption

O.03 FORECAST HIGHLIGHTS

*	Table O.00 on page 3 shows forecast data of selected indicators of the November 1990 KEDI forecast.	
*	The 1989 growth will slow down in 1990 and resume in 1991.	January 1990
*	The upward trend will continue throughout 1990-1992.	January 1987
*	Forecast data for 1990-1992 do not point to recession or major downturn.	January 1987
*	In the second half of 1990 interest rates will be declining slightly.	April 1990
*	Federal budget deficits will keep declining in 1992 and the following years.	October 1990
*	The 1990 export-import gap will start closing to a more acceptable level in 1991 and afterward.	October 1990

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1989, 1990 and 1991 are on pages indicated below.

Indicator	Unit	1989	1993	1994	1995
Gross national	bil. 82$	4117.7	4489.5	4615.2	4758.2
product, p. 5	% change	2.9	2.7	2.8	3.1
Index of indust.	1977=100	108.1	118.1	122.0	126.2
prod., p. 5	% change	3.3	2.5	3.3	3.4
Capacity	%	84.0	84.2	83.7	83.0
utiliz., p. 5	% change	.6	.2	-.6	-.8
Unemployment	%	5.2	5.3	5.5	5.4
rate, p. 5	% change	-4.6	.1	-1.2	-1.1
Private housing	mil.units	1.4	1.5	1.4	1.4
starts, p. 5	% change	-5.8	4.1	-5.8	4.7
Car sales,	mil.units	10.1	10.9	11.2	11.6
p. 5	% change	-5.2	3.2	2.8	4.0
Implicit GNP	1982=100	126.3	154.7	160.4	165.7
price def.,p.11	% change	4.4	3.8	3.7	3.3
Consumer Price	1967=100	124.0	152.0	157.5	163.5
Index, p. 11	% change	4.7	3.7	3.6	3.8
Prod.Price Index	1967=100	113.5	147.7	153.6	159.6
(fin.goods),p.11	% change	5.1	4.9	4.0	3.9
Federal Deficit	bil. $	-145.7	-131.4	-104.6	-84.9
p. 21	% change	-1.5	-17.9	-20.4	-18.9
Personal Income	bil. $	4384.3	6245.5	6720.2	7271.3
p. 23	% change	9.0	7.8	7.6	8.2
Prime Rate	%	10.7	10.0	10.7	11.6
p. 27	% change	14.4	-2.0	7.0	8.0
Mortgage Rate	%	9.6	10.5	10.8	10.6
p. 27	% change	10.0	5.0	2.7	-1.8
Currency+demand	bil. $	782.7	960.9	1018.5	1080.7
deposits , p. 25	% change	1.3	5.4	6.0	6.1
Commercial+ind.	bil. $	564.3	579.5	596.3	610.1
loans, p. 25	% change	5.3	2.7	2.9	2.3
Raw steel	mil.sh.tons	91.2	94.1	95.1	94.9
production	% change	-.9	-.7	1.1	-.2
Electric power	mil.kw-hr	2864	3032.4	3147.6	3276.7
production	% change	3.1	3.5	3.8	4.1
Bituminous coal	mil.sh.tons	941	986	998.8	1013.8
production	% change	1.2	1.0	1.3	1.5
Crude oil	avg. daily bbl.	3002	3142	3173.7	3202.3
output	% change	-.1	2.0	1.0	.9
Retail sales	bil. $	1718.1	2312.2	2476.4	2657.2
p. 7	% change	5.5	7.8	7.1	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES
1.11 REAL GROWTH

See Table 1.11
Page 5

1990 FORECAST DATA

Percent Change from October 1990 Forecast

+	.09%	Unemployment
	0.00%	Autos
-	.02%	GNP
-	.05%	Index Indust. Prod.
-	.33%	Capacity Util.
-	.25%	Private Housing Starts

RECENT DATA INDICATE THAT THE ECONOMY IS WEAK BUT APPARENTLY NOT YET AT THE RECESSIONARY STATE.

POSITIVE SIGNS; October data pointing to developments for some months ahead:

* New orders for plant and equipment rose by .1% from the September figure
* Machine tool orders rose by 1.9% from September
* Single-family housing starts dropped insignificantly
* The unemployment rate remained at its September level
* The Producer Price Index for finished goods, excluding food and energy, remained at the September level, while the CPI, excluding food and energy, advanced by .3% only
* Despite recent production cuts for 1990:4, the output of cars, produced domestically, will stay well above the level of 1989:4
* The September trade gap narrowed significantly.

NEGATIVE SIGNS; October data pointing to developments for some months ahead:

* Index of Industrial Production dropped by .8%; the drop was widespread among industrie
* Multi-family housing starts fell to its record low
* Retail sales remained weak
* Index of leading indicators dropped by .8%
* Construction industry laid off 40,000 worker
* Help-wanted advertising, housing permits, and new business formation decreased, while the number of unemployment benefit claims increased sharply
* The index of purchasing managers, and consumer confidence indexes of the University o Michigan and the Conference Board have shown further declines.

TABLE 1.11
SELECTED INDICATORS I.
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	GNP	Index of ind. prod.	Unem-ploy ment	Capacity util'n rate	Private housing starts	Auto sales
Unit	$82 bil.	1987=100	%	%	mil.	mil.
Year & Qtr.						
1989*	4117.7	108.1	5.29	84.0	1.376	9.9
1990:1*	4150.6	108.0	5.26	82.6	1.440	9.7
2*	4155.1	109.4	5.29	82.6	1.196	9.6
3	4173.6P	109.9P	5.59	82.4	1.142P	10.0
4	4173.8	110.1	5.76	82.5	1.097	9.9
YEAR	4163.3	109.3	5.47	82.5	1.2	9.8
% change from '89	1.1	1.2	3.5	-1.8	-11.4	-1.0
1991:1	4180.2	110.4	5.79	83.0	1.156	9.9
2	4202.1	111.0	5.74	83.0	1.242	10.1
3	4225.1	111.8	5.64	83.1	1.647	10.7
4	4259.8	112.8	5.57	83.2	1.335	10.6
YEAR	4216.8	111.5	5.69	83.1	1.345	10.3
% change from '90	1.3	2.0	3.8	.7	10.4	5.4
1992:1	4301.2	113.2	5.40	83.4	1.286	9.2
2	4349.6	114.7	5.33	84.0	1.386	10.6
3	4400.1	115.9	5.28	84.4	1.484	11.5
4	4434.8	117.1	5.26	84.3	1.418	10.9
YEAR	4371.4	115.2	5.32	84.0	1.393	10.6
% change from '91	3.7	3.3	-6.5	1.1	3.6	2.2

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1990 FORECAST DATA

Percent Change from October 1990 Forecast

+	.80%	Pers. Con. Expend. Services
-	.15%	Pers. Con. Expend. Nondurable
-	.34%	Retail Sales Durables
-	.43%	Retail Sales Nondurable
-	.67%	Retail Sales Total
-	1.21%	Pers Cons. Expend. Durables

THE OVERALL OUTLOOK FOR RETAIL SALES IN DECEMBER IS FAIRLY GOOD FOR TOTAL SALES AND NOT AS GOOD FOR RETAILERS' PROFITS.

KEDI's forecast of retail sales in November this year calls for .3% increase over October sales, seasonally adjusted, 3.5% above the November 1989 figure. Data for December are .6% rise over November, seas. adj., and 3.8% higher than sales in December 1989.

In December, a second round of significant mark-downs is expected to take place which will reduce significantly retailers' profits, especially by consumers' durables such as households electronics, appliances, furniture, carpets, home furnishings, and also apparel, hardware, shoes, and specialty items. Forecast of the pre-Christmas and Christmas sales does not point to a shopping spree, but not a dismal performance either--a fairly good season for retailers, better than last year's outcome.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*--Personal Cons. Expend.- Durables	Nondur-ables	Services	**------Retail Sales-------* Total	Durables	Nondur-ables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1989*	474.6	1130.0	1845.5	1733.7	645.6	1088.2
1990:1*	492.1	1174.7	1921.3	1796.4	663.6	1135.8
2*	478.4	1179.0	1965.3	1799.3P	689.4P	1109.9P
3	483.1P	1202.8P	2014.7P	1803.2	694.1	1129.1
4	500.1	1240.1	2052.0	1841.6	701.2	1140.4
YEAR	488.4	1199.2	1988.3	1810.1	687.1	1128.8
% change from '89	2.9	6.1	7.7	4.4	6.4	3.7
1991:1	507.2	1256.5	2133.1	1868.2	711.1	1157.1
2	511.4	1263.0	2216.1	1934.3	723.5	1210.8
3	536.5	1299.7	2278.7	1971.1	741.3	1229.8
4	550.7	1327.1	2313.1	2002.3	780.1	1222.2
YEAR	526.5	1286.6	2235.2	1944.0	739.0	1205.0
% change from '90	7.8	7.3	12.4	7.4	7.6	6.7
1992:1	567.4	1348.6	2374.0	2074.3	800.2	1274.1
2	580.2	1372.0	2455.6	2110.4	810.5	1299.9
3	590.4	1401.2	2555.1	2154.2	828.2	1326.0
4	601.2	1430.6	2617.9	2204.9	841.9	1363.0
YEAR	584.8	1388.1	2500.7	2135.9	820.2	1315.8
% change from '91	11.1	7.9	11.9	9.9	11.0	9.2

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GNP

See Table 1.13
Page 9

1990
FORECAST
DATA

Percent Change
from
October 1990
Forecast

+	.60%	Net Exports
+	.02%	GNP
+	.01%	Pers. Cons. Expend.
-	.03%	Gross. Private Dom. Inv.
-	.04%	Federal Govt. Purch.
-	.06%	State & Local Purch.

FORECAST DATA FOR 1990:4 EXPECTS A SEASONALLY ADJUSTED FLAT FIGURE OF $4173.8 BIL.

Data on GNP and components for 1990:3, reported in Table 1.13 on the following page, are those published by the U.S. Dept. of Commerce, Oct. 30.

Revised estimates are expected to be released Nov. 30, i.e., after the closing date of this issue. However, no significant changes in the Octoberr figures are expected to take place; possibly a slight downward revision of the rate of growth, originally estimated to be 1.8%, and a slight downward revision of the negative figure of net exports, will be the most significant changes which will bring the revised estimate.

Comparing 1990:3 and 1990:4 expected GNP, seasonally adjusted at $4173.8 bil. and $4173.6 bil., respectively, the difference is due mainly to the declines in residential and nonresidential construction worsening merchandise balance, matched by increases in personal and government spending.

TABLE 1.13
REAL GNP
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*----------Gross National Product---------- Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch. *
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1989*	4117.7	2656.8	716.9	-54.1	334.9	463.2
1990:1*	4150.6	2667.3	700.7	-35.4	333.0	475.0
2*	4155.1	2678.8	700.7	-44.6	345.9	474.3
3	4173.6P	2702.7P	700.6P	-52.5P	345.6P	477.2P
4	4173.8	2689.0	705.2	-50.6	351.0	479.2
YEAR	4163.3	2686.2	701.8	-45.8	343.9	476.4
% change from '89	1.1	1.1	-2.1	-15.4	2.7	2.9
1991:1	4180.2	2687.5	703.4	-48.5	354.2	483.6
2	4202.1	2695.4	707.8	-44.6	356.8	486.7
3	4225.1	2703.7	711.7	-39.4	359.7	489.4
4	4259.8	2721.5	717.1	-35.2	363.6	492.8
YEAR	4216.8	2700.1	710.0	-41.9	358.6	488.1
% change from '90	1.3	.5	1.2	-8.4	4.3	2.5
1992:1	4301.2	2749.8	721.3	-30.6	366.2	494.5
2	4349.6	2784.3	724.5	-28.6	369.7	499.7
3	4400.1	2819.6	727.2	-24.3	370.3	507.3
4	4434.8	2842.0	730.9	-23.9	374.1	511.7
YEAR	4371.4	2798.9	726.0	-26.9	370.1	503.3
% change from '91	3.7	3.7	2.3	-36.0	3.2	3.1

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

See Tables 1.21 - page 11

1990
FORECAST
DATA

Percent Change
from
October 1990
Forecast

+ .06%	Pers. Cons. Expend.
0.00%	GNP
- .12%	Federal Govt. Purch.
- .19%	State & Local Purch.
- .52%	Producer Price Index
- 3.96%	Consumer Price Index

FORECAST DATA CALL FOR FURTHER MODERATION OF PRICE INCREASES THIS QUARTER, AND THE FIRST QUARTER OF 1991, AND FOR THE RETURN OF MORE TOLERABLE INFLATION RATE OF 4% FOR CONSUMER PRICES AND 4.5% FOR PRODUCER PRICES IN 1991:1 AND AFTERWARD.

In October, consumer prices measured by the CPI, rose to a slower rate when compared to the September hike: .6% versus September's .8%. About half of the October increase reflected petroleum costs. Excluding the energy and food components of CPI, price increases of the other goods and services included in the index have now been held for two straight months at .3%.

Producer prices, in October, rose by 4.3%. Excluding food and energy, they remained unchanged from September.

TABLE 1.21
PRICES
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	*---Indexes--* Cons. price index n.s.a.**	Prod. price index n.s.a.**	*-------Price deflators--------* Gross Nat'l Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1982= 100	1982= 100	1982= 100	1982= 100
Year & Qtr.						
1989*	124.0	113.6	126.3	126.3	119.4	135.1
1990:1*	128.0	117.4	129.5	134.0	123.3	138.9
2*	129.3	117.5	131.0	135.2	122.0	140.1
3	133.1	120.7P	132.1P	136.9P	123.1P	142.1P
4	135.9	124.3	135.0	141.0	125.0	144.6
YEAR	131.6	120.0	131.9	136.8	123.3	141.4
% change from '89	6.1	5.6	4.4	8.3	3.3	4.7
1991:1	137.0	127.7	138.0	145.0	128.0	147.1
2	138.1	130.5	140.1	148.0	129.8	148.0
3	139.3	133.5	143.0	152.2	130.7	150.6
4	141.0	135.7	144.4	154.0	131.8	152.0
YEAR	138.8	131.8	141.4	149.8	130.1	149.4
% change from '90	5.5	9.9	7.2	9.5	5.5	5.7
1992:1	143.7	137.2	146.2	156.0	132.9	153.2
2	145.1	139.7	148.0	158.3	133.9	155.1
3	148.4	141.9	150.1	161.3	134.1	156.0
4	149.2	144.3	151.9	163.6	135.4	158.0
YEAR	146.6	140.8	149.1	159.8	134.1	155.6
% change from '91	5.6	6.8	5.4	6.7	3.1	4.1

*Historical data. R = Revised. P = Preliminary.
**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GNP

See Table 1.22 - page 13

1990
FORECAST
DATA

Percent Change from October 1990 Forecast	
+28.99%	Net Exports
+ .23%	Gross Private Dom. Inv.
+ .22%	Pers. Cons. Expend.
+ .18%	Federal Govt. Purch.
- .02%	GNP
- .64%	State & Local Purch.

FORECAST DATA FOR 1990:4 CALL FOR FURTHER IMPROVEMENT IN THE U. S. BALANCE OF MERCHANDISE.

On the import side, there are expected further drops in manufactured imports, notably machinery, clothing, footwear, iron and steel, and cars. Look for lower prices of imported oil.

On the export side, significant gains in U.S. exports of machinery and agrigultural products.

Table 1.22 on the following page shows data for GNP and components in 1990:3 released by the U.S. Dept. of Commerce, October 30. At the time of the closing date for this issue, the revised data have not been available. However, no significant changes brought by the revision are anticipated. KEDI expects main changes will take place in net exports due to the decline in imports and a slight increase in exports.

TABLE 1.22
NOMINAL GNP
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*----------Gross National Product----------					*
	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	5200.8	3450.1	771.2	-46.1	400.0	625.6
1990:1*	5375.4	3588.1	747.2	-30.0	410.6	659.6
2*	5443.3	3622.7	759.0	-24.9	421.9	664.6
3	5513.3P	3700.6P	759.8P	-49.2P	425.4P	670.0P
4	5634.6	3792.2	757.8	-51.2	438.8	692.9
YEAR	5491.7	3675.9	756.0	-38.8	424.2	671.8
% change from '89	5.6	6.5	-2.0	-15.8	6.0	7.4
1991:1	5768.7	3896.8	758.5	-56.3	453.4	711.4
2	5887.1	3990.5	759.4	-[illegible].2	463.1	720.3
3	6041.9	4114.9	762.1	-45.4	470.1	737.0
4	6151.2	4190.9	767.2	-40.3	479.2	749.1
YEAR	5962.2	4048.3	761.8	-47.8	466.5	729.4
% change from '90	8.6	10.1	.8	23.1	10.0	8.6
1992:1	6288.4	4290.0	774.2	-33.4	486.7	757.6
2	6437.4	4407.8	780.6	-33.7	495.0	775.0
3	6604.6	4546.7	783.4	-30.6	496.6	791.4
4	6736.5	4649.7	788.6	-30.5	506.5	808.5
YEAR	6516.7	4473.6	781.7	-32.0	496.2	783.1
% change from '91	9.3	10.5	2.6	-32.9	6.4	7.4

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1990
FORECAST
DATA

Percent Change from October 1990 Forecast	
+ .26%	Non Agriculture
+ .25%	Total Employed
+ .24%	Civilian Labor Force
+ .09%	Unemployment
0.00%	Agriculture
- .02%	Population

IN OCTOBER, THE UNEMPLOYMENT RATE REMAINED UNCHANGED FROM THE SEPTEMBER SEASONALLY ADJUSTED 5.7% OF THE CIVILIAN LABOR FORCE.

The number of payroll jobs have shown no net gains. While the employment in goods producing industries continued declining, gains in services producing industries had offset these losses. Significant gains in the number of employed took place mainly in health and education segments.

The October trend is indicative for months ahead. Employment in goods producing industries is expected to continue declining slightly, mainly in construction, lumber and wood products, textile, and rubber due to weak demand, and in many manufacturing segments due to increased productivith.

Employment losses in manufacturing are expected to be matched by increases in services producing segments, notably health and health-related industries and education.

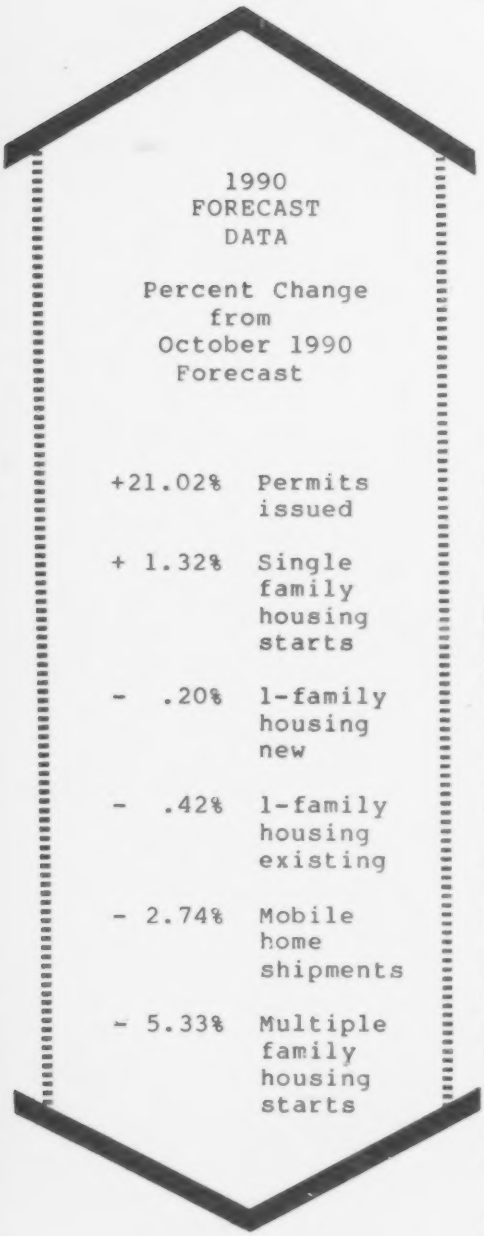
TABLE 1.30
EMPLOYMENT & LABOR
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	*-------Employment-------* Total	Agri-cult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1989*	258.1	123.9	117.3	3.2	114.1	5.29
1990:1*	259.4	124.6	118.0	3.2	114.8	5.26
2*	260.3	124.9	118.2	3.2	115.0	5.29
3*	261.3	125.9	118.9	3.2	115.7	5.59
4	262.4	126.6	119.3	3.2	116.1	5.76
YEAR	260.9	125.5	118.3	3.2	115.1	5.47
% change from '89	1.1	1.3	1.2	0.0	.9	3.5
1991:1	263.4	126.9	119.6	3.2	116.4	5.79
2	264.5	127.6	120.3	3.2	117.1	5.74
3	265.1	128.0	120.8	3.2	117.6	5.64
4	266.4	128.5	121.3	3.2	118.1	5.57
YEAR	264.9	127.8	120.5	3.2	117.3	5.69
% change from '90	1.5	1.8	1.7	0.0	1.9	3.84
1992:1	267.3	128.9	121.9	3.2	118.7	5.40
2	268.4	129.7	122.8	3.2	119.6	5.33
3	269.2	130.6	123.7	3.2	120.5	5.28
4	269.2	131.4	124.5	3.2	121.3	5.26
YEAR	268.5	130.2	123.2	3.2	120.0	5.32
% change from '91	1.4	1.9	2.0	0.0	2.3	-6.46

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17



FORECAST DATA INDICATE THAT A REBOUND IN HOUSING STARTS IS EXPECTED IN 1991:2.

In October, housing starts fell by 6% to a seasonally adjusted rate of 1.04 mil. units, the lowest level since .902 mil. units in June 1982. Building permits also fell by 6.8% to .925 mil. units, the lowest level since .912 mil. units in June 1982.

Compared to data on the last recession, housing is still far from being declared in a recessionary state. In October, construction of single-family units dropped by 1% to .845 mil. units, fairly above the low of .700 mil. units generally considered a recessionary level. Prospects for multi-family starts are not encouraging. It is expected that high vacancy rates, overbuilding, and high inventories of unsold units will persist throughout 1991.

TABLE 1.41
HOUSING
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Single family housing starts	Multi-family housing starts	Mobile home shipments	Permits authorized	1-Fam. unit price new**	1-Fam. unit price exist**
Unit	mil.	mil.	mil.	mil.	tho. $	tho. $
Year & Qtr.						
1989*	1.003	.373	.198	1.338	148.5	118.0
1990:1*	1.083	.357	.229	1.416	155.3	124.1
2*	.803	.393	.191	1.093	157.6	125.6
3	.831	.311	.180P	1.003P	162.0P	126.4P
4	.878	.219	.182	1.963	163.0	127.0
YEAR	.899	.320	.196	1.369	159.5	125.8
% change from '89	-10.4	-14.2	-1.3	2.3	7.4	6.6
1991:1	.902	.254	.196	.984	166.4	128.5
2	.941	.301	.208	1.180	168.7	131.6
3	1.029	.304	.212	1.216	174.1	134.7
4	1.018	.317	.209	1.307	175.2	135.1
YEAR	.972	.294	.206	1.172	171.1	132.5
% change from '90	8.2	-8.1	5.5	-14.4	7.3	5.3
1992:1	.975	.311	.204	1.178	178.6	137.3
2	1.047	.339	.236	1.243	183.5	140.2
3	1.108	.376	.249	1.474	185.2	142.1
4	1.102	.316	.201	1.328	190.3	144.3
YEAR	1.058	.336	.223	1.306	184.4	141.0
% change from '91	8.8	14.1	7.9	11.4	7.8	6.4

*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1990
FORECAST
DATA

Percent Change from October 1990 Forecast	
0.00%	Dealer Inventory
0.00%	Total Car Sales
- .72%	Domestic Car Sales
- .72%	Shipments
- 1.67%	Imported Car Sales
- 2.91%	Light Truck Sales

SALES OF DOMESTICALLY BUILT CARS AND LIGHT TRUCKS ROSE 8.6% IN LATE OCTOBER, AND PRELIMINARY DATA FOR THE FIRST TWO WEEKS OF NOVEMBER ALSO SHOW FAIRLY STRONG SALES WHEN COMPARED TO THE FIRST TWO WEEKS IN NOVEMBER 1989.

Forecast data of car sales for 1990:4 call for the 6.9 mil. units, seasonally adjusted at annual rate, affected mostly by the expected slow market in December.

Production cuts for 1990:4, announced by GM, Ford, and Chrysler at the begining of November, do not look as bad as some media attempt to depict. The Big Three plan to cut the fourth quarter 1990 output by 7.8%. These planned production cuts are still 2.5% above the output of 1989:4.

Interestingly, 1990:3 production of cars by 10 automakers in the U.S. was 4.1% above 1989:3 output, and for light trucks, 9.8%.

TABLE 1.42
AUTOMOBILES
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1989*	9.9	7.1	2.8	1.7	7.2	4.1
1990:1*	9.7	6.7	3.0	1.5	6.5	4.0
2*	9.6	6.8	2.8	1.5	6.9	4.4
3	10.0	7.0	3.0	1.6	7.1	4.2
4	9.9	6.9	3.0	1.7	6.9	4.1
YEAR	9.8	6.8	3.0	1.7	6.8	4.2
% change from '89	-1.0	-3.5	5.4	0.0	-4.9	1.8
1991:1	9.9	6.9	3.0	1.7	6.9	4.1
2	10.1	7.0	3.1	1.6	7.2	4.4
3	10.7	7.5	3.2	1.7	7.6	4.7
4	10.6	7.6	3.0	1.8	7.5	4.6
YEAR	10.3	7.2	3.1	1.8	7.3	4.5
% change from '90	5.4	1.1	4.2	5.9	6.6	6.6
1992:1	9.2	6.1	3.1	1.7	7.5	4.5
2	10.6	7.4	3.2	1.7	7.6	4.8
3	11.5	8.4	3.1	1.8	7.7	4.9
4	10.9	7.7	3.2	1.8	7.7	4.6
YEAR	10.6	7.4	3.2	1.8	7.6	4.7
% change from '91	2.2	-.3	2.4	0.0	4.5	5.6

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1990
FORECAST
DATA

Percent Change from October 1990 Forecast	
+ 6.80%	Corporate Profit Tax Accrued
+ .54%	Federal Income Tax
+ .25%	State Income Tax
- 1.00%	Federal Surplus Deficit
- 1.60%	State Corp. Tax Accrued
- 2.49%	State Surplus Deficit

KEDI LONG-TERM FORECAST POINTS TO APPROXIMATELY $100 BIL. FEDERAL BUDGET DEFICIT IN CALENDAR 1995--NO BALANCED FEDERAL BUDGET IS EXPECTED TO TAKE PLACE AT THAT TIME.

On the other hand, state and local governments' surpluses are expected to grow up to $65 bil. in 1995, leaving the net deficit of the public sector to a not to significant $30 bil.

Forecast of the Federal Budget deficits in this fiscal year and the following fiscal years anticipates that no major changes in spending cuts and taxation will take place, and the budget issues will be put to rest after last month's struggles.

Forecast data presented in Table 1.6 on the following page include the effects of possible across-the-board custs mechanism which puts caps on spending on domestic, international, and defense programs.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----FEDERAL----------* Income taxes	Corp. profits tax accru.	Surplus /deficit	*---STATE AND LOCAL----* Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	464.0	110.4	-134.3	194.3	24.7	46.4
1990:1*	473.6	106.5	-168.3	201.5	23.3	38.1
2	492.1R	109.2R	-166.0R	204.4R	23.9R	38.6R
3	506.7	111.4P	-202.8	209.8	24.3	39.6
4	518.2	112.5	-214.9	212.8	26.9	40.5
YEAR	497.7	109.9	-188.0	207.1	24.6	39.2
% change from '89	7.3	-.5	40.0	6.6	-.4	-15.5
1991:1	527.6	115.4	-207.3	214.9	28.4	42.7
2	536.9	119.6	-206.2	218.3	30.2	44.1
3	555.7	124.8	-204.6	223.5	32.5	46.0
4	569.2	127.3	-195.8	229.9	34.0	48.1
YEAR	547.4	121.8	-203.5	221.7	31.3	45.2
% change from '90	10.0	10.8	8.2	7.0	27.1	15.4
1992:1	594.0	130.7	-183.2	236.8	36.1	49.6
2	605.7	134.6	-175.6	240.4	37.2	50.3
3	618.3	139.8	-150.2	249.7	38.0	52.3
4	624.3	146.5	-131.4	257.6	39.7	54.8
YEAR	610.6	137.9	-160.1	246.1	37.8	51.8
% change from '91	11.6	13.2	-21.3	11.0	20.7	14.4

*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1990
FORECAST
DATA

Percent Change from October 1990 Forecast	
+ .60%	Producer Price Index
+ .52%	Personal Income
+ .16%	Corporate After Tax Profit
+ .16%	Personal Savings
- .19%	Average weekly earnings
- .26%	Comp. of Employees

IN GENERAL, THE CORPORATE PROFITS OUTLOOK CALLS FOR PROFITS TO REMAIN WEAK FOR SEVERAL QUARTERS AHEAD.

Data indicate the following reasons for the bleak outlook: it is expected that profits will continue to be under pressure of slow volume growth, labor costs and interest costs. These pressures are expected to abate in the second half of 1991, after the economy begins showing more strength.

In 1990:3, corporate profits showed a modest gain, mostly due to the import of crude oil prices which lifted inventory profits of oil companies, and also due to major banks' profits which improved when compared to their $5 bil. plus losses in 1989 because of additions to loan-loss reserves to cover loans to developing countries.

Forecast data for Personal Income and its components show regular and modest upward increments in 1990:4, in 1991 and beyond. No major aberrations from this trend are forecasted.

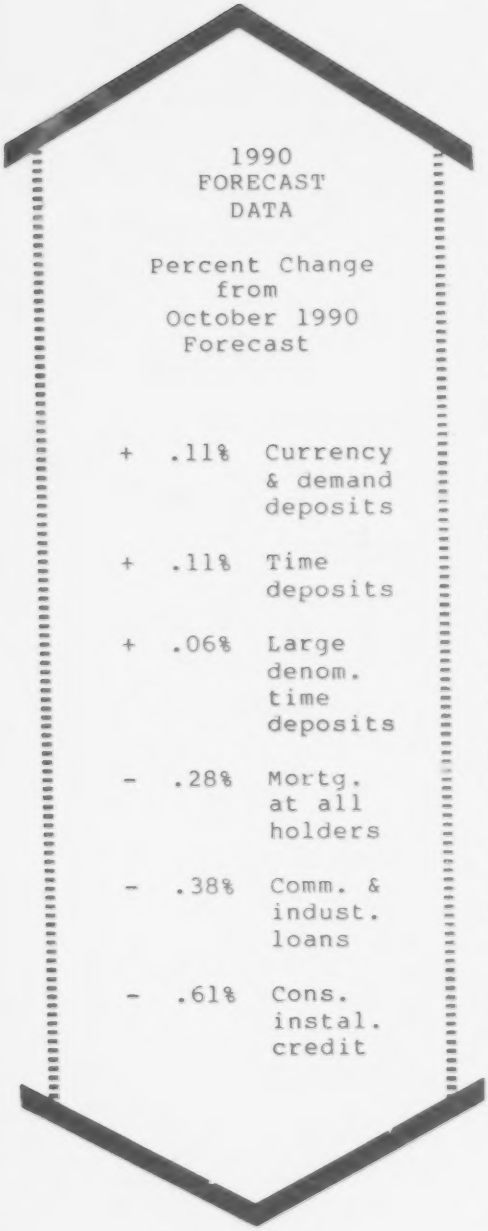
TABLE 1.60
INCOME
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1989*	4384.3	3725.5	3079.0	172.6	171.8	431.6
1990:1*	4562.8	3887.7	3182.4	167.1	191.3	434.4
2*	4622.2	3925.7	3290.7	166.1	195.1	444.1
3	4677.7P	3968.6	3380.6	166.5	207.9	448.5
4	4744.6	4013.6	3460.4	167.8	221.4	450.1
YEAR	4651.8	3948.9	3328.5	166.9	203.9	444.3
% change from '89	6.1	6.0	8.1	-3.3	18.7	2.9
1991:1	5070.6	4328.1	3561.2	170.5	229.8	455.0
2	5183.0	4427.8	3627.8	172.9	232.6	457.1
3	5337.2	4558.0	3684.9	180.4	234.9	461.8
4	5430.9	4631.8	3754.2	183.6	229.5	463.2
YEAR	5255.4	4486.4	3657.0	176.8	231.7	459.3
% change from '90	13.0	13.6	9.9	6.0	13.6	3.4
1992:1	5572.1	4741.3	3860.8	190.3	235.7	469.4
2	5713.7	4867.6	3937.2	193.2	242.6	473.2
3	5881.4	5013.4	4019.6	196.3	247.3	478.5
4	6007.3	5125.4	4142.3	200.9	252.6	484.7
YEAR	5793.6	4936.9	3990.0	195.2	244.6	476.4
% change from '91	10.2	10.0	9.1	10.4	5.5	3.7

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25



FORECAST OF THE DEMAND FOR SMALL AND LARGE CD'S POINTS TO A FAIRLY STRONG PERFORMANCE THROUGHOUT THE MOST OF NEXT YEAR. IT WILL SLOW DOWN IN 1992.

Forecast data on financial markets for the rest of this year and the first half of 1991 point to regular increases in money supply M1 and M2, and continuous sluggishness in markets for commercial and industrial loans, other short-term paper, and commercial mortgages. These markets are expected to gain more vitality in the second half of 1991 and afterward.

Forecast data on bond markets are mixed, prices of corporate bonds, in general, are expected to be increasing in the second half of 1991 and to continue upwards in the following years. However, markets for municipal bonds are expected to experience problems throughout the forecast period.

Forecast data for Federal issues point to a continuous strength.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2, s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	785.4R	3122.5	716.6	568.8	558.3	3528.5
1990:1*	800.3	3249.3	720.4	574.3	543.5	3593.6
2*	807.6	3274.5	724.9	575.9	561.7	3595.8
3	821.2	3280.2	736.1P	574.1	668.8	3629.2
4	828.4	3399.5	750.2	576.2	67[illegible].7	3637.1
YEAR	814.4	3300.9	750.2	576.2	674.7	3637.1
% change from '89	3.7	5.7	4.7	5.3	20.8	3.1
1991:1	841.2	3404.2	760.9	582.0	685.2	3688.0
2	844.9	3519.3	780.9	584.7	694.2	3712.0
3	854.8	3612.7	792.8	585.4	692.6	3769.3
4	863.6	3707.8	811.0	588.1	698.9	3796.8
YEAR	851.1	3561.0	811.0	588.1	683.9	3796.8
% change from '90	4.5	7.9	8.1	2.1	1.4	4.4
1992:1	870.4	3764.2	828.2	593.8	702.1	3838.9
2	878.9	3857.1	837.5	594.6	709.8	3892.4
3	997.7	3904.2	850.4	598.8	721.4	3978.7
4	899.6	3985.1	870.2	604.9	728.7	4040.8
YEAR	911.6	3877.6	870.2	604.9	728.7	4040.8
% change from '91	7.1	8.9	7.3	2.9	6.6	6.4

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1990
FORECAST
DATA

Percent Change from October 1990 Forecast	
+ .28%	Conv. Mortg. Rate
0.00%	Prime Rate
- .43%	Treas. Bills 3 mo. yield
- .46%	30 Year govt. bond yield
- 1.09%	Aaa corp. bonds
- 3.20%	S & P's 500 Avg.

KEDI FORECAST POINT TO SOME FURTHER DROPS IN THE FEDERAL FUNDS RATE AND SHORT-TERM TEASURY BILLS RATES DURING DECEMBER.

More significant declines in interest rates, such as the discount rate, prime rate and related rates are not expected earlier than in the first and second quarters of next year.

Though the discouraging news of the drop in industrial production, slow housing, retail sales and construction were released just at the time of the meeting of the Federal Reserve Open Market Committee, it is not anticipated that the Committee took a decisive step toward lowering the interest rates level in general.

Interest rates declines, predicted for the first half of next year are expected to be relatively short-lived. Forecast data for the second half of 1991 and afterward call for gradual increases, starting in the third quarter of this year and continuing throughout 1991 and afterward.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1989*	8.12	10.74	9.69	9.26	8.45	323.05
1990:1*	7.76	10.00	9.76	9.24	8.35	336.47
2*	7.78	10.00	9.83	9.34	8.61	349.63
3*	7.40	10.00	9.80P	9.31	8.80P	330.31
4	7.41	10.00	9.76	9.34	8.76	315.62
YEAR	7.59	10.00	9.79	9.31	8.63	333.01
% change from '89	-6.6	-6.9	1.0	.5	2.1	3.1
1991:1	7.34	9.98	9.70	9.51	8.86	320.21
2	7.32	9.92	9.67	9.49	8.73	331.90
3	7.40	10.00	9.60	9.31	8.65	340.50
4	7.44	10.00	9.62	9.24	8.32	357.42
YEAR	7.38	9.97	9.65	9.39	8.64	337.51
% change from '90	-2.8	-.3	-1.4	.9	.1	1.4
1992:1	7.53	10.04	9.64	9.32	8.18	364.32
2	7.64	10.14	9.79	9.50	8.29	375.28
3	7.87	10.42	10.02	9.63	8.36	378.40
4	8.06	10.35	10.46	10.05	8.57	376.50
YEAR	7.78	10.24	9.98	9.62	8.35	373.62
% change from '91	5.4	2.6	3.4	2.5	-3.4	10.7

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue the Index of Consumer Price Index has been selected for comparison. Forecast data have been published in New York Times, December 27, 1988, Business Section, page D1, and in The Journal of Business Forecasting Methods and Systems 7 (1988) 4, p. 42 (K.E.D.I. forecast). Actual figures is in the Survey of Current Business (U. S. Department of Commerce, Washington, D. C., monthly), 64 (1990), 5 blue pages.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Consumer Price Index
(% increase from 1988 to 1989)
Actual figure: 5.3

Forecaster	Date of Forecast	Forecast	Accuracy %
Irving Trust Co.	12/88	5.0	- 5.7
Salomon Brothers	12/88	5.0	- 5.7
Morgan Guaranty	12/88	5.3	0
Prudential-Bache	12/88	4.9	- 7.5
Merrill Lynch	12/88	5.5	+ 9.3
Blue Chip Indicators	12/88	5.5	+ 9.3
Chrysler Corporation	12/88	6.1	+15.1
UCLA Forecasting Project	12/88	5.6	+ 5.7
KEDI, Inc.	12/88	5.3	0

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36